

Message Text

SECRET

PAGE 01 STATE 267997

60

ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY E:WDROGERS:CJS

APPROVED BY E:WDROGERS

W.H.:RHORMATS

S/S:0-AWOTTO

----- 022343

O 300233Z OCT 76 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS NIACT IMMEDIATE

S E C R E T STATE 267997

NODIS

EYES ONLY FOR THE AMBASSADOR

E.O11652: XGDS

TAGS: PFOR, ENRG, VE

SUBJECT: LETTER FROM PRESIDENT FORD TO PRESIDENT PEREZ

1. AT THE EARLIEST APPROPRIATE TIME, AND IN ANY EVENT,
NO LATER THAN COB MONDAY, NOVEMBER 1, PLEASE DELIVER THE
FOLLOWING PERSONAL MESSAGE FROM PRESIDENT FORD TO
HIS EXCELLENCY PRESIDENT PEREZ:

2. BEGIN TEXT: DEAR MR. PRESIDENT: THE DECISION LAST
MAY OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES
NOT TO INCREASE THE PRICE OF OIL WAS A RESPONSIBLE
ACTION WHICH HAS CONTRIBUTED TO THE PROCESS OF GLOBAL
ECONOMIC RECOVERY. IN THE SPIRIT OF OUR COUNTRIES'
CLOSE RELATIONSHIP, HOWEVER, I WISH TO BRING TO YOUR
ATTENTION MY DEEP CONCERN ABOUT REPORTS THAT VENEZUELA
MAY SEEK AN INCREASE IN THE PRICE OF OIL AT THE DECEMBER
OPEC MEETING, AND TO URGE YOU TO BRING YOUR COUNTRY'S
CONSIDERABLE INFLUENCE TO BEAR INSTEAD TO OPPOSE AN
INCREASE, WHICH WOULD HAVE HARMFUL EFFECTS ON WORLD

SECRET

SECRET

PAGE 02 STATE 267997

INFLATION AND RECOVERY, THE PLIGHT OF THE DEVELOPING

COUNTRIES, AND INTERNATIONAL ECONOMIC COOPERATION.

3. THE OIL EXPORTING COUNTRIES HAVE ALREADY MADE SUBSTANTIAL GAINS IN PURCHASING POWER AS A RESULT OF ECONOMIC RECOVERY AND GREATER DEMAND FOR OIL IN THE OIL-IMPORTING COUNTRIES. OPEC NATIONS WILL EARN \$125 BILLION THIS YEAR FROM THEIR OIL EXPORTS, ABOUT 20% MORE THAN IN 1975, AND MORE THAN 400% ABOVE WHAT THEY EARNED IN 1973 ON A SIMILAR VOLUME OF OIL EXPORTS. IN THIS REGARD, I UNDERSTAND THAT THE MARKETING DIFFICULTIES CONFRONTED BY VENEZUELA EARLIER THIS YEAR HAVE EASED, AT LEAST IN PART BECAUSE OF THE MODIFICATIONS MADE BY MY GOVERNMENT IN OUR DOMESTIC OIL ENTITLEMENTS PROGRAM. IT IS UNFORTUNATE THAT VENEZUELA APPEARS TO HAVE RESPONDED TO THIS STRENGTHENED MARKET POSITION BY IMPLEMENTING A UNILATERAL PRICE INCREASE, DURING A PERIOD IN WHICH OPEC HAD DECIDED NOT TO INCREASE THE PRICES.

4. A FURTHER OIL PRICE INCREASE WOULD GENERATE INFLATIONARY PRESSURES WHICH ARE NOT IN ANY NATION'S INTEREST. CURRENTLY THE INDUSTRIALIZED COUNTRIES ARE MAKING DRAMATIC PROGRESS IN CONTROLLING INFLATION THROUGH MAJOR POLICY ACTIONS, WITH THE AVERAGE RATE OF INFLATION FOR MAJOR COUNTRIES FALLING TO HALF ITS 1974 RATE. OUR ANALYSIS OF THE COMPOSITION OF EXPORTS FROM THE MAJOR INDUSTRIALIZED COUNTRIES TO THE OIL PRODUCERS INDICATES THAT THE PRICES OF THESE GOODS HAVE RISEN BY ONLY 30% SINCE MID-1973, AND BY ONLY 4% OVER THE PAST YEAR. PRICES OF OUR LARGEST EXPORT -- GRAIN -- HAVE ACTUALLY FALLEN BY \$50 A TON IN THE LAST YEAR. BUT THE INDUSTRIALIZED COUNTRIES ALONE CANNOT SOLVE THE PROBLEM OF INFLATION. OIL-PRODUCING COUNTRIES TOO HAVE A RESPONSIBILITY TO CONTROL WORLD INFLATION.

5. I AM ALSO CONCERNED THAT AN INCREASE IN THE PRICE OF OIL COULD UNDERMINE THE FRAGILE ECONOMIC RECOVERY AND THE ALREADY WEAK BALANCE OF PAYMENTS SITUATION IN BOTH DEVELOPING AND INDUSTRIALIZED COUNTRIES. THE OIL BILL OF THE OIL-IMPORTING DEVELOPING COUNTRIES HAS QUADRUPLED FROM \$3 BILLION IN 1973 TO \$13 BILLION THIS YEAR. SOME

SECRET

SECRET

PAGE 03 STATE 267997

OF THESE DEVELOPING COUNTRIES ARE JUST BEGINNING TO REGAIN A MORE SATISFACTORY RATE OF GROWTH AND TO REDUCE THEIR TRADE DEFICITS, AS DEMAND FOR THEIR EXPORTS HAS INCREASED AND THEY HAVE BEGUN TO ADJUST TO THE BURDEN OF HIGHER OIL PRICES. MANY OF THE POORER DEVELOPING COUNTRIES, HOWEVER, CONTINUE TO EXPERIENCE DESPERATE BALANCE OF PAYMENTS DIFFICULTIES AND, AS A RESULT, WHOLLY UNSATISFACTORY PROSPECTS FOR ECONOMIC GROWTH.

AMONG THE INDUSTRIALIZED COUNTRIES, THERE ARE SEVERAL WHICH HAVE NOT YET BEGUN TO RECOVER FROM THE SEVERE ECONOMIC RECESSION OF 1974-75 AND CONTINUE TO EXPERIENCE LARGE BALANCE OF PAYMENTS DEFICITS; A NUMBER HAVE VIRTUALLY EXHAUSTED THEIR ABILITY TO BORROW. EVEN IN THE UNITED STATES, WHERE RECENT ECONOMIC ACTIVITY HAS BEEN MORE VIGOROUS, THE RECOVERY HAS SLOWED. MY DEEP CONCERN, THEREFORE, IS THAT THE POSSIBILITY OF TRULY GLOBAL ECONOMIC RECOVERY WHICH WE ARE SEEING WILL BE THREATENED BY THE SLOWDOWN IN GROWTH AND THE ADVERSE INFLATIONARY AND BALANCE OF PAYMENTS EFFECTS OF A NEW INCREASE IN THE PRICE OF OIL. ALL COUNTRIES HAVE A VITAL INTEREST IN THE MAINTENANCE AND STRENGTHENING OF THE GLOBAL RECOVERY AND THE INCREASE IN INTERNATIONAL TRADE WHICH WILL ACCOMPANY IT.

6. FINALLY, I AM CONCERNED THAT A NEW INCREASE IN OIL PRICES COULD PREJUDICE THE CREATIVE AND CONSTRUCTIVE PROCESS OF DIALOGUE AMONG DEVELOPED AND DEVELOPING COUNTRIES TO WHICH YOUR GOVERNMENT AND YOU YOURSELF HAVE MADE A MAJOR CONTRIBUTION. I AM ALSO COMMITTED TO THAT PROCESS. I HAVE TAKEN A NUMBER OF DECISIONS TO ENSURE A POSITIVE UNITED STATES APPROACH TO THE PROBLEMS OF THE DEVELOPING WORLD. THIS YEAR THE UNITED STATES WILL PROVIDE MORE FUNDS FOR ECONOMIC ASSISTANCE THAN IN ANY YEAR SINCE OUR POST-WAR MARSHALL PLAN, MORE AID THAN ANY OTHER COUNTRY IN THE WORLD. I ALSO HAVE COMMITTED MY GOVERNMENT TO GIVE SERIOUS CONSIDERATION TO A NUMBER OF OTHER NEW APPROACHES TO THE PROBLEMS OF THE DEVELOPING COUNTRIES. I AM WORKING TO MAINTAIN SUPPORT FOR CONSTRUCTIVE POLICIES TOWARD THE DEVELOPING WORLD. I BELIEVE THAT FURTHER PROGRESS IN A NUMBER OF AREAS OF THE NORTH-SOUTH RELATIONSHIP, INCLUDING THE OFFICIAL DEVELOPMENT ASSISTANCE
SECRET

SECRET

PAGE 04 STATE 267997

MADE AVAILABLE TO THE DEVELOPING WORLD, SHOULD BE POSSIBLE IN THE COMING MONTHS. IN PARTICULAR, I AM OPTIMISTIC THAT THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION, WHICH IS SCHEDULED TO MEET AT THE MINISTERIAL LEVEL IN MID-DECEMBER, CAN ACHIEVE POSITIVE AND CONCRETE RESULTS BENEFICIAL TO DEVELOPED AND DEVELOPING COUNTRIES. BUT THE INTERNATIONAL STRUCTURE WHICH BOTH YOU AND I WISH TO BUILD MUST BE BASED ON DUE REGARD FOR THE IMPACT OF INDIVIDUAL NATIONAL DECISIONS ON THE REST OF THE WORLD. ACTIONS WHICH APPEAR TO OVERLOOK THIS IMPACT SERIOUSLY UNDERMINE DOMESTIC SUPPORT IN THIS COUNTRY FOR A CONSTRUCTIVE APPROACH TO THE PROBLEMS OF THE DEVELOPING WORLD.

7. I HOPE, THEREFORE, THAT WHEN YOU HAVE GIVEN FULL

CONSIDERATION TO ALL THE IMPLICATIONS OF THE OIL PRICE
QUESTION, THE SIGNIFICANT INFLUENCE OF VENEZUELA, AND
YOUR PERSONAL STATURE AND INTERNATIONAL LEADERSHIP,
WILL CONTRIBUTE TO A DECISION BY THE OIL-EXPORTING
COUNTRIES AS RESPONSIBLE AS THAT OF MAY AND THAT THERE WILL
BE NO NEW PRICE INCREASE. SINCERELY, GERALD R. FORD
END TEXT.

8. THE ABOVE LETTER SHOULD BE DATED OCTOBER 29, 1976. KISSINGER

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, ECONOMIC RECOVERY, ECONOMIC DEVELOPMENT, POLITICAL STABILITY, DIPLOMATIC COMMUNICATIONS, FOREIGN POLICY POSITION, PRICES, CAT-B
Control Number: n/a
Copy: SINGLE
Draft Date: 30 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE267997
Document Source: CORE
Document Unique ID: 00
Drafter: WDROGERS:CJS
Enclosure: DG PER MR. MINNIES
Executive Order: GS
Errors: N/A
Film Number: P840104-2104, N760007-0860
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976101/aaaaaanw.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS, ONLY
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS, ONLY
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by ShawDG>; APPROVED <05 NOV 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LETTER FROM PRESIDENT FORD TO PRESIDENT PEREZ
TAGS: ENRG, PFOR, PPDC, US, VE, OPEC, (FORD, GERALD R), (PEREZ, CARLOS ANDRES),
To: CARACAS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006